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No. 87-38

In The
Supreme Court of the United States
October Term, 1987

GRANADA ELECTRONICS, INC.,
Petitioner,

vs.

ORIGINAL APPALACHIAN ARTWORKS, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION OF RESPONDENT ORIGINAL APPALACHIAN ARTWORKS, INC.

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QUESTION PRESENTED

Whether the Lanham Act prohibits the sale in the United States of foreign-made goods bearing a trademark recognized by the American public to indicate materially different goods supplied by another based in the United States.

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BRIEF IN OPPOSITION OF RESPONDENT ORIGINAL APPALACHIAN ARTWORKS, INC.

Respondent Original Appalachian Artworks, Inc. respectfully submits that the Writ of Certiorari requested by Petitioner Granada Electronics, Inc. should be denied. The order and opinion below of the United States Court of Appeals for the Second Circuit does not conflict with any decision of another Federal Court of Appeals on the same matter, but merely applies long-standing principles of trademark law to the facts found by the trial court below.

I. STATEMENT OF THE CASE

Respondent Original Appalachian Artworks, Inc. (hereinafter "OAA") is engaged in the manufacture, sale and licensing of dolls and related items under its federally-registered trademark CABBAGE PATCH KIDS. OAA originated and continues to manufacture soft-sculpture dolls under the CABBAGE PATCH KIDS trademark. These dolls of OAA are completely hand-sewn in Georgia by OAA, and are marketed through "adoption centers"—primarily specialty stores and finer department stores. With each purchase of a CABBAGE PATCH KIDS doll manufactured by OAA, the purchaser receives a "birth certificate" and "adoption papers" which are filled out by the "parent" or owner of the doll, who is then returned a "birthday card" by OAA on the first anniversary of "adoption" or purchase of the doll. The CABBAGE PATCH KIDS dolls of OAA are, therefore, "adopted" by purchasers, and the district court below found this adoption process to be an important element of the mystique of the CABBAGE PATCH KIDS dolls which has substantially contributed to the enormous popularity and success of these dolls. (See district court's opinion reproduced at page A45 of the Petition)

OAA licenses others around the world to manufacture and distribute CABBAGE PATCH KIDS dolls. These licensed dolls, instead of being entirely hand-sewn from fabric as are the dolls of OAA, are mass-produced and have vinyl heads. In the United States, Coleco Industries, Inc. ("Coleco") sells these dolls under license from OAA. These Coleco CABBAGE PATCH KIDS dolls are packaged in boxes which prominently display the CAB-

BAGE PATCH KIDS trademark and are accompanied by "birth certificates" and "adoption papers" in the English language which also prominently display the CABBAGE PATCH KIDS trademark. The CABBAGE PATCH KIDS dolls sold in the United States by Coleco come complete with English language instructions directing purchasers how to complete the "adoption process" by writing the required information in the appropriate blank spaces on the "adoption papers". These instructions also direct purchasers to place the completed "adoption papers" in the accompanying pre-addressed envelopes and advise purchasers how to change the name of the "adopted" doll if the purchaser so desires.

These "adoption papers" are processed by "fulfillment houses" in the United States. These fulfillment houses are paid by Coleco on a per-piece basis. Once these fulfillment houses receive completed "adoption papers" from purchasers or recipients of CABBAGE PATCH KIDS dolls, they send the "adopting parents" suitable-for-framing "birth certificates" and on the one-year anniversary of "adoption" the fulfillment houses send the purchasers "birthday cards" for the dolls.

Although OAA has, or has had, at least 120 licensees for assorted CABBAGE PATCH KIDS products, the vinyl-headed version of the CABBAGE PATCH KIDS doll sold by Coleco is the centerpiece of OAA's licensing program. Coleco has achieved incredible success with its vinyl-headed version of the CABBAGE PATCH KIDS doll and had sold in excess of 37 million CABBAGE PATCH KIDS dolls at the time of trial. Coleco had also produced a number of television commercials which were

aired throughout the United States which feature the CABBAGE PATCH KIDS dolls and which highlight the "adoption" process. Coleco's advertising for the CABBAGE PATCH KIDS product line from 1983 through 1986 totalled 58 million dollars. As noted by the trial court below, due to Coleco's advertising expenditures and substantial sales, the CABBAGE PATCH KIDS trademark has become famous and associated with Coleco as the source for its vinyl-headed version of the CABBAGE PATCH KIDS doll and accompanying adoption papers in the United States. (See district court opinion reproduced at pages A52, A53 of the Petition)

OAA also licenses other companies located outside the United States to manufacture and sell vinyl-headed versions of the CABBAGE PATCH KIDS doll outside the United States only. One of those companies is Jesmar S.A. ("Jesmar") of Spain. Jesmar is not authorized to sell any CABBAGE PATCH KIDS dolls outside of its territory of Spain, Canary Islands, Andorra and Ceuta Melilla; nor is Jesmar authorized to sell any CABBAGE PATCH KIDS dolls to anyone who in turn would sell outside of Jesmar's licensed territory. (See district court opinion reproduced at pages A48, A49 of the Petition)

The CABBAGE PATCH KIDS dolls of Jesmar come in boxes substantially identical in appearance and with graphics nearly identical to those boxes which contain the CABBAGE PATCH KIDS dolls sold by Coleco in the United States. The Jesmar dolls are sold with "birth certificates" and "adoption papers" which prominently bear the trademark CABBAGE PATCH KIDS in English but are otherwise in the Spanish language. The instructions

for adopting the dolls and changing the name of the dolls by writing the required information in the blank spaces on the papers are also entirely in the Spanish language, and the mailing address to which the "adoption papers" are directed is in Spain.

OAA commenced suit against Petitioner Granada Electronics, Inc. (hereinafter "Granada") to halt Granada from continuing to import Jesmar CABBAGE PATCH KIDS dolls into the United States and from selling such imported dolls in the United States. The opinion issued by the trial court and affirmed by the Court of Appeals was premised upon the trial court's uncontested finding that the "adoption" of CABBAGE PATCH KIDS dolls in the United States has substantially contributed to the enormous popularity and success of such dolls. Further, the trial court found, and Petitioner does not contest, that the existence in the United States of Jesmar CABBAGE PATCH KIDS in boxes substantially identical to those sold in the United States by Coleco causes the public to confuse or mistake the Jesmar dolls for the dolls with English language papers consumers expect to be offered for sale in this country by Coleco. This confusion or mistake has misled and has caused considerable disappointment among consumers that has damaged the reputation of both OAA and Coleco as sources of high quality CABBAGE PATCH KIDS products. As specifically found by the trial court:

> Purchasers have come to expect that dolls sold in the United States bearing the trademark CABBAGE PATCH KIDS will include birth certificates and adoption papers in the English language which can be mailed to an addressee in the United States, who will process the adoption papers and return them to

> the "parent." Jesmar dolls imported into and sold in the United States under the trademark CABBAGE PATCH KIDS by Granada will likely cause confusion, mistake and deception on the part of the purchasing public because these dolls with Spanish language adoption papers and birth certificates are not the product those purchasers expect to receive when they purchase a CPK (CABBAGE PATCH KIDS) doll in the United States. Consumers are therefore being misled and disappointed and frequently hold OAA and/or Coleco responsible therefore. The sale of these non-conforming CPK dolls in the United States therefore has damaged and threatens to continue to damage the reputation of OAA and Coleco as sources of high quality CPK products. (See district court opinion reproduced at pages A54 and A55 of the Petition)

This finding of trial court was affirmed by the Court of Appeals when it noted:

> [T]he district court found that Jesmar's CABBAGE PATCH KIDS dolls with their Spanish-language birth certificates, adoption papers, and instructions are materially different from the Coleco dolls with English-language papers. The court also concluded, on the basis of numerous letters from parents and child doll owners or "parents," that the sale in the United States of the Spanish-language dolls with the prominent English-language trademark causes the public to confuse or mistake the Spanish dolls for the Coleco dolls that they expect to be for sale. (See circuit court opinion reproduced at page A12 of the Petition)

The decision of the Court of Appeals below was clearly premised on the factual finding that the American public is actually confused over the source of the Spanish dolls bearing the American CABBAGE PATCH KIDS trademark inasmuch as the American public is likely to believe that the licensor OAA is responsible for the non-

conforming Spanish dolls in the United States; or that the primary licensee Coleco is responsible for these non-conforming Spanish dolls. As noted by the Court of Appeals:

> [T]he present case is distinguishable from the above cases [cases authorizing the importation of identical goods from abroad bearing a federally registered trademark owned by a domestic source] because Jesmar's dolls were not intended to be sold in the United States and, most importantly, were materially different from the Coleco CABBAGE PATCH KIDS dolls sold in the United States. There is a very real difference in the product itself—the foreign-language adoption papers and birth certificate, coupled with the United States fulfillment houses' inability or unwillingness to process Jesmar's adoption papers or mail adoption certificates and birthday cards to Jesmar doll owners, and the concomitant inability of consumers to "adopt" the dolls. It is this difference that creates the confusion over the source of the product and results in a loss of OAA's and Coleco's good will. (See circuit court opinion reproduced at pages A18, A19 of the Petition)

The facts developed below clearly indicate that the present Petition does *not* involve a typical "gray market" case. The Spanish CABBAGE PATCH KIDS dolls have been determined to be materially different from the dolls consumers in the United States expect to receive under the CABBAGE PATCH KIDS trademark, and as a result consumers have actually been disappointed upon purchasing the Spanish dolls. This disappointment has been laid at the doorsteps of Coleco and OAA, and OAA has properly invoked the Lanham Act to protect its goodwill and that of its licensee.

It should be noted that Petitioner states on page 9 of its Petition that:

> [T]here is nothing in the record below which would indicate that the sale by Jesmar for distribution of the dolls in question outside of Spain was other than entirely in accordance with permission as provided in the contract between Schlaifer (OAA's licensing agent) and Jesmar.

This statement by Petitioner, however, is in direct contrast to the finding of the trial court which stated:

> Granada had no communications with agents of OAA, SNC (the licensing agent), or with Coleco regarding its importation of foreign-made CPK dolls into the United States and thus had no authorization from OAA, Coleco or SNC for such importation or sale. (See district court opinion reproduced at page A56 of the Petition)

Furthermore, the Court of Appeals affirmed this finding when it stated:

> Thus, even though the goods do bear OAA's trademark and were manufactured under license with OAA, they are not "genuine" goods because they differ from the Coleco dolls and were not authorized for sale in the United States. (See circuit court opinion reproduced at page A19 of the Petition)

II. SUMMARY OF ARGUMENT

The federal courts have consistently granted injunctions against the importation of foreign-produced goods bearing an American trademark when the owner of the trademark in the United States has developed a goodwill separate and distinct from that of the foreign producer of the goods; and have consistently refused to grant an in-

junction when the American owner of the trademark has not developed a goodwill separate and distinct from the goodwill of the foreign entity producing the goods. The circuits are not in conflict on this point, and the United States Court of Appeals for the Second Circuit affirmed the injunction below upon a finding that the American consumers had identified Coleco as the primary source in the United States for the vinyl-headed CABBAGE PATCH KIDS dolls, and thus the presence of the Spanish-made CABBAGE PATCH KIDS dolls of Jesmar bearing the CABBAGE PATCH KIDS trademark would likely confuse the American public into believing the Spanish dolls were products of Coleco, when they are not.

Additionally, the Court of Appeals affirmed the finding that the foreign-made CABBAGE PATCH KIDS dolls of Jesmar did not conform to the expectations of the American consumer for the product they would receive under the CABBAGE PATCH KIDS trademark, and the court affirmed the finding that the disappointment experienced by the American consumers in receiving a non-conforming product under the CABBAGE PATCH KIDS trademark damaged the goodwill of Respondent OAA and its primary U.S. licensee Coleco.

These findings are not contraverted by the Petitioner, and fully support the granting of the injunction below.

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III. ARGUMENT

A. The Circuit Courts Are Not In Conflict

The federal courts have historically enjoined the importation of goods manufactured abroad and bearing a trademark owned by a separate entity in the United States which developed its own goodwill in the trademark. *A. Bourjois & Co. v. Katzel,* 260 U.S. 689, 43 S.Ct. 244, 67 L.Ed. 464 (1923); *Model Rectifier Corp. v. Takachiho International, Inc.,* 221 U.S.P.Q. 502 (BNA) (9th Cir. 1983); *Premier Dental Products Co. v. Darby Dental Supply Co.,* 794 F.2d 850 (3rd Cir. 1986) *cert denied* 107 S.Ct. 436 (1986); *Osawa & Co. v. B & H Photo,* 589 F.Supp. 1163 (S.D.N.Y. 1984). Conversely, the federal courts have not been granting injunctions when the domestic owner of the trademark has not established a goodwill separate and distinct from the producer of the foreign goods. *NEC Electronics v. CAL Circuit Abco,* 810 F.2d 1506 (9th Cir. 1987); *Bell & Howell; Mamiya Company v. Masell Supply Co.,* 719 F.2d 42 (2nd Cir. 1983).

The variations of the gray market are numerous. As stated in *Olympus Corp. v. United States,* 792 F.2d 315, 320 (2nd Cir.) quoting from *Vivitar Corp. v. United States,* 761 F.2d 1552, 1570 n.24 (Fed.Cir. 1985):

> U.S. and foreign trademark rights may be owned by the same entity, by related companies, or by wholly separate companies; imported goods may be identical to or different from the parallel imports; the goods may be produced in the United States and different goods produced abroad; services and warranties may or may not be the same; foreign licensees may not be subject to U.S. control.

Certainly, the many variations in the gray market will lead to some decisions where the U.S. mark holder had a domestic goodwill which is distinct from the goodwill of the foreign producer of the goods; and some situations where the domestic mark holder does not have such isolable domestic goodwill. The circuits will, therefore, be expected to reach different results on differing facts without any dispute as to the underlying principles of trademark law to be applied.

Petitioner asserts there is a conflict in the circuits, and notes particularly *NEC Electronics v. CAL Circuit Abco, supra,* from the United States Court of Appeals for the Ninth Circuit. In *NEC Electronics,* the Ninth Circuit reversed the grant of an injunction and noted that the foreign manufacturer of the goods, NEC-Japan, is one of the world's largest manufacturers of computer chips, and the defendant CAL Circuit Abco had imported genuine computer chips manufactured by NEC-Japan in derogation of the exclusive license NEC-Japan had granted its wholly-owned subsidiary in the United States, NEC-USA. The parties had stipulated that the chips of the defendant are genuine NEC products, *Id.* 810 F.2d 1508. The court noted NEC-Japan and NEC-USA are commonly controlled and:

> [t]his country's trademark law does not offer NEC-Japan a vehicle for establishing a worldwide discriminatory pricing scheme simply through the expedient of setting up an American subsidiary with *nominal* title to its mark. (emphasis added) *Id.* 810 F.2d 1511.

The Ninth Circuit, therefore, found in *NEC Electronics* that the U.S. owner of the mark was not only a wholly owned and commonly controlled subsidiary of the foreign

producer of the goods, but the American subsidiary had only "nominal" title to its mark.

The importation of goods manufactured in Japan which were identical in all material respects to the goods being offered by the wholly-controlled U.S. subsidiary could not amount to a confusion of source of the type prohibited by the Lanham Act when the U.S. subsidiary had only "nominal" title to the mark and certainly had no isolable domestic goodwill.

To the contrary, however, the Ninth Circuit in *Model Rectifier Corp. v. Takachiho International,* 221 U.S.P.Q. 502 (BNA) (1983) affirmed the grant of an injunction barring importation of model automobile kits manufactured by Tamiya Plastic Model Corporation of Japan which had made Model Rectifier Corp. (referred to as MRC) the exclusive United States distributor for its radio-controlled model kits, and had assigned its rights to the United States trademark to MRC.

The defendant Takachiho International had imported model automobile kits manufactured by Tomiya Plastic Model Corporation in Japan, but the Ninth Circuit noted:

> MRC alleges that retail purchasers of Tomiya kits which were not imported by MRC have had problems with broken or missing parts. These purchasers have looked to MRC for replacement parts. Many of these purchasers mistakenly believe that the kits came from MRC. *Id.* 221 U.S.P.Q. 503.

The Ninth Circuit, therefore, affirmed the grant of an injunction when it found that the American purchasers believed that the exclusive American distributor and owner of the trademark is the source of the imported goods, and thus had developed its own goodwill.

The Ninth Circuit, therefore, is not in conflict with the Second Circuit, and based on *Model Rectifier* above, would likely reach the same conclusion as the United States Court of Appeals for the Second Circuit in enjoining the importation of foreign-made Spanish CABBAGE PATCH KIDS dolls which did not conform to the product actually sold in the United States by OAA's licensee Coleco, and when the American consumers look to OAA and Coleco as being responsible for the presence of these non-conforming goods in the United States.

Certainly, therefore, the statement of Petitioner that "the conflict between the circuit courts will effectively permit importation of the subject dolls in California, where they would be considered genuine, while condemning their importation in New York, where they would not" (page 20 of the Petition) does not conform with the decisions from the Ninth Circuit.

B. The Lanham Act Prohibits Not Only Passing Off But Also Prohibits Marketing Products With A Trademark In Any Manner To Confuse The Public

Trademarks are meant to protect members of the consuming public so that they may be assured, when they purchase products by relying on recognized trademarks, they get what they expect and pay for. The trademark laws preclude any use of a trademark in any manner which confuses, causes mistakes or deceives the public in any way, not merely use which causes confusion as to source of origin. However, it is noted that even if trademark infringement were to be limited to passing off, Granada would still be liable for trademark infringement. The public has most certainly been confused as to the source of

Jesmar CABBAGE PATCH KIDS dolls because they think such dolls originate with Coleco and the presence in the U.S. of the disappointing and non-conforming foreign dolls is the responsibility of OAA. These Jesmar dolls are being passed off as Coleco CABBAGE PATCH KIDS dolls, when they are not.

Granada asserts the products at issue are "genuine" and "authentic". However, the words "genuine" and "authentic" are not absolute and must be considered in the proper context. In the context of the United States market, CABBAGE PATCH KIDS dolls with Spanish birth certificates and adoption papers, are not "genuine". Indeed such dolls are materially different from the "genuine" English language dolls the American public expects from Coleco and OAA.

Granada's sales of Jesmar CABBAGE PATCH KIDS dolls authorized for Spain caused the American public to believe the Jesmar CABBAGE PATCH KIDS dolls are the CABBAGE PATCH KIDS dolls with English language papers that Coleco sells. Granada has passed off to the public its foreign dolls as the materially different CABBAGE PATCH KIDS dolls of Coleco.

The district court below found:

> Jesmar dolls imported into and sold in the United States under the trademark CABBAGE PATCH KIDS by Granada will likely cause confusion, mistake and deception on the part of the purchasing public because these dolls with Spanish language adoption

> papers are not the product those purchasers expect to receive when they purchase a CPK doll in the United States. Consumers are therefore being misled and disappointed and frequently *hold OAA and/or Coleco responsible therefore.* (emphasis added). (See, district court's opinion reproduced on pages A54, A55 of the Petition)

Clearly, the public has been misled into believing the Jesmar CABBAGE PATCH KIDS dolls are products of Coleco, when they are not. It should be noted that Granada has not disputed the fact that the public has considered the Jesmar CABBAGE PATCH KIDS dolls with foreign language adoption papers to be products of Coleco, when they are not.

Notwithstanding the above, Granada's understanding of the nature of trademarks and the law of trademarks is not correct. When § 1114 of Title 15 of the United States Code was amended in 1962 Congress evinced:

> [A] clear purpose to outlaw the use of trademarks which are likely to cause confusion, mistake or deception of *any kind,* not merely of purchasers nor simply as to source of origin. (emphasis added)

Syntex Laboratories, Inc. v. Norwich Pharmacal Co., 437 F.2d 566, 568 (2d Cir. 1971).

Further, Congress' intent in the Federal Trademark Act of 1946 went beyond mere protection against "passing off". As a report from the Senate Committee on Patents (which reported on the bill which was to become the Federal Trademark Act of 1946), stated:

> The purpose underlying any trademark statute is twofold . . . [T]o protect the public so that it may be confident that in purchasing a product bearing a par-

> ticular trademark which it favorably knows, it will get the product it looks for and wants to get. Secondly, where the owner of a trademark has spent energy, time and money in presenting to the public the product, he is protected in his investment. . . .

S.R. No. 1333, 79th Cong., 2d Sess. (1946) U.S. Code & Adm. News 1274.

The district court correctly found that consumers expect dolls sold under the CABBAGE PATCH KIDS trademark to include English language "birth certificates" and "adoption papers" which enable adoption of the dolls in the United States. This expectation by American consumers has been formed by extensive advertising, extensive promotions and substantial sales of the "adoptable" CABBAGE PATCH KIDS dolls.

As found below and as amply supported in the record, purchasers of foreign CABBAGE PATCH KIDS dolls with foreign language "birth certificates" and "adoption papers" often buy these foreign dolls believing they are the very same dolls they have seen and heard so much about. However, these consumers soon learn that they are *not* the same dolls. In fact, they are materially different from the product they thought they were buying as material accompanying the dolls is in Spanish, not English, including the directions whereby consumers are instructed how to properly complete the papers for adoption. Accordingly, many purchasers are unable to carry out one of the key features of the product, i.e., "adoption" of these dolls in the United States. The court below thus found that consumers were actually disappointed by receipt of these nonconforming Jesmar dolls.

Purchasers are likely to be and, in fact, have been confused and they further believe that OAA or Coleco are

responsible for the existence of the disappointing Jesmar dolls in the marketplace, when they are not. This confusion harms the reputations of both OAA and Coleco as sources of high quality CABBAGE PATCH KIDS products.

It has not been disputed that OAA owns the United States trademark for CABBAGE PATCH KIDS, that Granada used that mark in United States commerce without the consent of OAA, and that Granada's use of the CABBAGE PATCH KIDS trademark has caused confusion, mistake or deception on the part of American consumers.

Granada, however, argues that any rights OAA might have in its reputation and in its trademark must give way to Granada's desire to conduct business in the gray market. However, even if Granada could demonstrate that its right to do business in the gray market outweighed any harm it caused to OAA's or Coleco's reputation, Granada errs by regarding trademarks as mere property rights and nothing more. Granada ignores the very essence of trademarks: the right of the consuming public to be told the truth.

As noted by the district court, the purchasing public is an unnamed party in *every* action for trademark infringement. The district court found, as evidenced by the many letters and calls received by both OAA and Coleco, that the hypothetical average consumer has been governed by appearances and general impressions. However, this consumer has been disappointed by reliance on such appearances and impressions when he has obtained a CABBAGE PATCH KIDS doll which came in a box substantially

identical to the box of Coleco he has become familiar with, but whose contents were quite different from what he expected to obtain from a product sold under the CABBAGE PATCH KIDS trademark.

C. Enjoining Importation And Sale Of A Foreign Product Creates No Anomaly When That Foreign Product Is Materially Different From A Domestic Product Sold Under The Same Trademark

Granada urges that the products at issue are "genuine" and are thus their importation cannot be enjoined under the Lanham Act. However, the products Granada seeks to import and sell are not "genuine" or "authentic" CABBAGE PATCH KIDS dolls, but are in fact deceptively similar to to genuine CABBAGE PATCH KIDS dolls of Coleco expected by U.S. consumers.

Genuine as understood by the consumer in the United States means CABBAGE PATCH KIDS dolls with English language papers which enable adoption in the United States; just like the ones on television; just like the ones the little girl next door has; just like the ones everybody made such a fuss about. Taken in this context, the Jesmar CABBAGE PATCH KIDS dolls Granada seeks to import are *not* genuine or authentic and they *are* deceptively similar to the real thing.

Despite Granada's statements to the contrary, OAA has never authorized importation or sale of these dolls in the United States and has taken numerous steps to prevent such importation and sale.

Granada states that the Second Circuit had previously held that it would be an "anomaly" to approve an injunc-

tion against the importation and sale of a genuine product properly carrying the imprimatur of genuineness and authenticity as approved by the trademark owner, noting *DEP Corp. v. Interstate Cigar Co.*, 622 F.2d 621 (2d Cir. 1980). Granada apparently refers to footnote 1 of that opinion where the Court noted that it would indeed be anomalous to find a trademark infringement where the product sold by the defendant was genuine, not spurious and *no difference existed* between the product sold by plaintiff and defendant. *Id.* at 622 n.1. Clearly, that is not the situation the court was faced with below.

It is beyond dispute that the CABBAGE PATCH KIDS dolls Granada seeks to import and sell are materially different from those that American consumers are familiar with and expect to be offered for sale in the United States under the CABBAGE PATCH KIDS trademark. Indeed, the district court's injunction was premised on the mistake, disappointment and confusion that the difference between these products has caused the American public.

Petitioner asserts that there can be no injunction when the CABBAGE PATCH KIDS dolls imported from Spain are genuine in that the trademark owner OAA authorized the use of the CABBAGE PATCH KIDS trademark for these dolls, even though such authorization was limited essentially to Spain. However, in the cases relied on by the Petitioner, the trademark owner authorized the mark to be applied to the goods with the intention that the goods be sold in the United States. Accordingly, in the cases relied upon by the Petitioner, the trademark was applied to goods authorized for the U.S. market, and in that respect they were genuine.

Sasson Jeans, Inc. v. Sasson Jeans, L.A., Inc., 632 F.Supp. 1525 (S.D.N.Y. 1986), for example, involved genuine Sasson jeans whose manufacture, affixation of trademark and sale in the United States was expressly authorized by plaintiff. *Id.* at 126-27. As the goods were genuine, the Court expressly held that no confusion could exist.

In *Monte Carlo Shirt Co. v. Daewoo International (America) Corp.*, 707 F.2d 1054 (9th Cir. 1983), the shirts plaintiff complained of were genuine shirts plaintiff had manufactured according to its specifications for sale in the United States. *Id.* at 1055. Plaintiff then refused delivery of those shirts as they arrived too late for plaintiff to sell as planned. *Id.* The Court correctly held in *Monte Carlo* that no confusion could exist and denied the requested injunction.

The above cases stand in sharp contrast to the present situation where OAA has *never* approved the Jesmar dolls for sale in the United States. Unlike the above cases, OAA did not just have a change of heart about the sale of goods in the United States which conformed in every way to consumer expectation. OAA has always sought to keep these non-conforming dolls far from where they could cause any confusion and has providesd for their exclusion by contract.

Granada also relies on *Alfred Dunhill Ltd. v. Interstate Cigar Co., Inc.*, 499 F.2d 232 (2d Cir. 1974). In *Alfred Dunhill,* the plaintiff did have the opportunity to prevent a sale of deficient goods bearing its trademark in the United States. However, plaintiff made an economic decision to recover more money from its insurer by letting damaged goods be sold as salvage under its trademark in

the United States. *Id.* at 234. After sale of the damaged goods commenced, plaintiff sought to have sales stopped.

However, as noted by the Court in *Alfred Dunhill*, plaintiff was in the best position to solve the problem at the beginning, but chose to recover a larger insurance settlement by allowing the goods to be sold as salvage in the United States. *Id.* at 238. The court refused to let the plaintiff prevail when it had authorized the sale of the deficient goods in the United States in the first instance.

Conversely, OAA has never given approval for materially different Jesmar dolls to be sold in the United States. Clearly, the *Dunhill* case does not stand for the proposition that Granada has the right to import products materially different from products sold in the United States under the same trademark when OAA never gave any permission for those products to enter the United States.

D. OAA Never Authorized Importation Of Jesmar Cabbage Patch Kids Dolls Into The United States

Petitioner states that OAA, by virtue of its recordation with Customs, expressly authorized importation of Jesmar CABBAGE PATCH KIDS dolls. Granada is incorrectly equating a document filed with Customs to inform Customs of approval by OAA for Jesmar to sell CABBAGE PATCH KIDS dolls in Spain as an express authorization for those dolls to enter the United States.

OAA received trademark registration No. 1,298,970 from the United States Patent and Trademark Office on October 2, 1984 for the trademark CABBAGE PATCH

KIDS for dolls. Following receipt of the above registration, OAA recorded its CABBAGE PATCH KIDS trademark with the United States Customs Service to prevent counterfeit products bearing the CABBAGE PATCH KIDS trademark from entering the United States. To achieve recordation, OAA was directed by the Customs Service regulations (19 C.F.R. §§ 133.2(c), 133.21-24 (1985)) to include "[t]he name and principal business address of each foreign person of business entity authorized or licensed to use the trademark and a statement as to the use authorized". As per 19 C.F.R. §§ 133.2(c), 133.21-24, OAA listed Jesmar along with numerous other companies on its application for Customs recordation. Jesmar was listed as it was authorized in Spain to make products under license for OAA.

As a result, the Customs service directed a letter to its officials permitting various CABBAGE PATCH KIDS items, including Jesmar CABBAGE PATCH KIDS dolls, to pass through Customs, as Customs regulations do not provide for refusing importation of goods which are authorized by the recording party in *any* country. However, despite Customs' regulations which do not provide for stopping importation of foreign goods *sua sponte*, this acts as no bar to private suits by trademark holders. *Olympus Corp. v. United States*, 792 F.2d 315, 320 (2nd Cir. 1986); *Vivitar Corp. v. United States*, 761 F.2d 1552, 1570 (Fed. Cir. 1985), *cert. denied*, 88 L.Ed. 2d 769, 106 S. Ct. 791, 54 U.S.L.U. 3460 (1986).

Accordingly, Granada's reliance on OAA's filing with Customs which lists Jesmar in no way acted as authorization for importation of Jesmar CABBAGE PATCH KIDS dolls by OAA.

Granada also notes that, in any event, it should escape the injunction as Granada mistakenly relied upon OAA's Customs recordation, had no notice of OAA's objections, and did not know there would be any problems with importing the dolls. Granada's basic premise is that it cannot be held accountable because it was not culpable and had no bad intent.

The grant of injunctive relief depends upon whether such relief is necessary to protect against future violations. Granada has made no secret as of its desire to import further Jesmar dolls and will presumably do so in the absence of the injunction. Clearly, the lower court's injunction is necessary to prevent such violations. *Menendez v. Sachs & Co.*, 485 F.2d 1355, 1375 (2nd Cir. 1973), *rev'd on other grounds, Alfred Dunhill of London, Inc. v. Republic of Cuba,* 425 U.S. 682, 48 L.Ed.2d 301, 96 S.Ct. 1854 (1976). Granada may not escape the forward-looking injunction by arguing ignorance in the past.

Similarly, it is an axiom of trademark law that innocent infringement is not a defense to an action for trademark infringement. 3A R. Callman and L. Altman, LAW OF UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES, § 20.49 at 289 (4th ed. 1983). Granada cannot escape the lower court's finding of trademark infringement based on its asserted lack of intent to infringe.

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IV. CONCLUSION

For the reasons set forth above, the Petition for Certiorari should be denied.

Respectfully submitted,

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